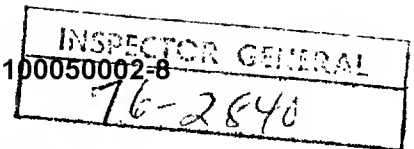


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26 AUG 1976



MEMORANDUM FOR: Deputy Director for Administration
Deputy Director for Intelligence
Deputy Director for Operations
Deputy Director for Science and Technology
Comptroller
Office of General Counsel
Office of Legislative Counsel

FROM : John H. Waller
Inspector General

SUBJECT : Request for Final Review on Proposed Guidelines
for GAO Audit of CIA

REFERENCES : A. DCI letter, 30 December 1975; GAO Audit Options
B. OLC 76-1889 of 7 July 1976
C. OLC 76-2364 of 23 August 1976

1. The Office of Legislative Counsel in recent weeks has forwarded several memoranda to most addressees to elicit Directorate and staff comments on the question of reviewed GAO audit of CIA, as suggested by Senator Inouye, Chairman of the Senate Select Committee on Intelligence (SSCI). The responses have been helpful in formulating a tentative position on this question, set forth below. The paper entitled "Agency Task Force Review of GAO Audit Options," completed 12 January 1976, was also drawn upon heavily. I am asking that you review the draft position set forth in paragraphs 2-5 and forward your comments to me no later than 31 August 1976. A coordinated Agency position will then be forwarded to the DDCI for his approval. After final Agency approval, OLC will begin negotiations with the SSCI staff to reach agreement on the conditions of an audit, probably involving a need for further intra-Agency discussions of the guidelines outlined in this memorandum.

2. It is now generally agreed that the negotiations concerning procedures and guidelines for GAO's return to auditing the Agency should be conducted directly with the SSCI rather than with the General Accounting Office, as suggested by Chairman Inouye. For reasons of precedent, to the maximum extent possible, an audit should be considered a committee audit, drawing upon GAO expertise, rather than a GAO audit. We would propose that GAO auditors:

a. Be assigned to and under the control of the SSCI, receiving all work instructions from that Committee (the Comptroller General has suggested a similar arrangement);

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b. Report their progress and findings only to the SSCI, not the GAO hierarchy;

c. Be cleared for access to classified information under the same arrangement as agreed to by the Executive Branch and SSCI for SSCI staff members (including full background investigation and nondisclosure agreement);

d. Conduct the audit and leave all working papers in secured Agency or Committee premises (preferably Agency premises).

3. There is probably no valid basis on which the Agency could limit the scope of audits conducted by GAO auditors under the aegis of the SSCI, especially in today's review climate as evidenced by the House Appropriations Committee survey of the DDO. If, as is likely, full scope audits are proposed, including management and program audits, access to internal and fiscal documentation for all activities would be permitted except for:

a. External review or verification of certain activities, listed in paragraph 4, which would compromise Agency activities; and

b. Access to agent identities and certain highly sensitive operations personally certified by the DCI, as noted in paragraph 5.

4. The following activities consisting of external verifications or evaluations of transactions or activities not openly Agency sponsored would not be permitted to GAO auditors attached to the SSCI because of the danger of compromising the Agency Mission:



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a. True name identities of agents; and

b. Extremely sensitive operations of a character requiring treatment within the Agency on a strictly compartmentalized basis.

6. Please review carefully the activities listed in paragraph 4 and consider whether each activity needs to be prohibited. In light of our completely responsive approach to this Committee, all activities on this list must be fully justifiable.

7. Please advise [REDACTED] of my office when your responses are ready and he will pick them up. He is on extension [REDACTED] and is in Room 2E49. 25X1A 25X1A

[REDACTED]

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John H. Waller

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